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TO: Deputy Director (Intelligence)

SUBJECT: Yugoslav-Soviet Relations

Recent developments indicate no basic change in Yugoslavia's East-West orientation. It is believed that Yugoslavia will continue to co-operate with Western nations on matters benefiting itself while retaining maximum independence, an attitude typical of Yugoslav foreign relations. A series of steps to "normalize" relations, initiated by the USSR a year ago, has gradually reduced tensions between Yugoslavia and the Orbit and given the Tito regime greater latitude to emphasize its independent "socialist" role. Yugoslav leaders maintain, however, they will not permit improved relations with the USSR to alter their relations with the West.

Steps in the normalization of relations between Yugoslavia and the Orbit initially included the resumption of normal diplomatic representation, the virtual cessation of border incidents, agreement on Danube river problems, and a reduction of hostile propaganda on both sides. Since last May the Orbit has lifted its trade embargo, and small trade agreements totaling \$10,000,000 have been concluded by Hungary, East Germany and Czechoslovakia with Yugoslavia. At present trade negotiations with the USSR are under way in Belgrade.

The USSR's softer policy towards Yugoslavia appears to be part of its effort to reduce tension between East and West. This policy does not appear to envisage a specific attempt to bring Belgrade back into the Orbit, although it has included some maneuvers apparently designed to arouse Western suspicions of the Belgrade regime (e.g. the unprecedentedly numerous calls by the Soviet ambassador on Yugoslav officials in Belgrade during the Trieste crisis last October, and Soviet quotations of portions of Tito's recent speech critical of US policy unaccompanied by any reference to those parts of the speech which did not fit the Soviet line.)

State Dept. review completed

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Yugoslav leaders maintain that this softer Soviet policy is only a tactical shift, necessitated by internal crises, but that it nevertheless should be exploited. Typical of the present Yugoslav position is Tito's public statement on 19 September that Yugoslavia will welcome any Orbit deeds to improve relations, but that it will always receive them "with a grain of salt" and not allow them to change Yugoslavia's relations with the West.

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This claim is partially supported by the Yugoslav attitude in the current trade talks with the Soviet delegation in Belgrade. According to [] the American embassy there, no progress has been made in over two weeks of negotiations and the Yugoslavs have refused to supply the nonferrous metals the USSR wants in exchange for Russian wheat which the Yugoslavs desire. It appears likely that only an agreement for a token exchange of goods will be reached.

The normalization of relations with the Orbit has been more than balanced by Belgrade's increasing co-operation with the West. Yugoslavia has made significant concessions in the negotiations to obtain a solution of the Trieste issue which has embittered Yugoslav-Italian relations and impeded Western military planning in the area. In this connection the dissolution of the pro-Tito party in Trieste--to be replaced by a broad based "socialist front"--appears to be a move in preparation for Italian control of Zone A. The Yugoslavs probably hope to strengthen the long-term capabilities of the small pro-Tito party by integrating it into a broad-based "socialist front" which will appeal to the many dissatisfied elements that have been unwilling to join a blatantly pro-Tito group. There is no evidence to substantiate allegations that the dissolution of the party was a move in preparation for a reversal of Belgrade's anti-Soviet policy.

The past six months have been marked by additional steps toward co-operation with the West. These have included the conclusion of a military alliance with Greece and Turkey, and expressions of a desire to join some type of European community that has more than a purely military basis. The Yugoslavs have consistently opposed membership in NATO or EDC, partly because participation in these organizations would impose foreign commanders over their armed forces as well as because of Yugoslavia's jealous concern with its own sovereignty. They may well see in the demise of EDC an opportunity to participate in the construction of a "collective system" that could meet the threat of Soviet aggression and control a

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resurgent Germany. In his 19 September speech, Tito reaffirmed his desire to co-operate in such an organization should it develop from the remnants of EDC.

These significant steps and gestures towards closer co-operation with the West have occurred despite the fact that the Yugoslav press has maintained an independent attitude in criticizing American policy. In recent months these criticisms have centered on American policy towards Communist China, SEATO, the Geneva conference and the Guatemalan affair. These attacks have not deviated, however, from standard Yugoslav criticisms of big power politics and colonialism or from Belgrade's championship of the rights of small nations. Soviet imperialism and aggression and Chinese Communist policies have also been strongly attacked.

It can only be concluded from an analysis of the reliable information available that the steps taken by Yugoslavia during the last six months to co-operate with the West far outweigh in significance the "normalization" of relations with the Orbit. Yugoslavia apparently still has no binding ties to the bloc and is slowly becoming more closely associated with the anti-Soviet world, despite public criticism of the United States. It should be noted that Yugoslav criticism has been directed less towards France and Britain than towards the United States, since the Yugoslav stand on many recent foreign policy issues has been more consistent with that of Britain and France.

Mutual suspicions remain the fundamental obstacle to any rapprochement between Yugoslavia and the USSR. Yugoslav leaders undoubtedly continue to believe that Moscow's eventual aim is to re-establish its old dominance over Belgrade. The original fight was over the entire system of Soviet operations, and not just a personal quarrel between Tito and Stalin. The Yugoslavs assert, and probably believe, that the USSR has made no fundamental shift in policy.


The Kremlin, on the other hand, must inevitably have strong suspicions that the Tito group, which displayed independent tendencies long before the break in June 1948, would not be amenable to control or persuasion when its interests conflicted with those of the USSR.

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The possibility of a rapprochement between Belgrade and Moscow must remain an academic consideration as long as Yugoslavia is ruled by its present leaders. The Tito government gives every indication of realizing that it could not survive a rapprochement. The gains for Moscow would far outweigh any advantages that could accrue to Tito.

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